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Tanzania Coffee Annual Report

Report Categories:

Coffee

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Report Highlights:

The Government of Tanzania (GOT), under the leadership of current President Kikwete, has declared “Kilimo Kwanza” (Agriculture first), and has devised and set in motion a plan to “modernize” and “commercialize” agricultural production in Tanzania. Reportedly, the GOT has also decided, as part of the Kilimo Kwanza strategy, that the traditional Tanzanian export crops (coffee, tea, cashew nuts, etc.) have not helped Tanzanians achieve food security. Accordingly, under the Kilimo Kwanza plan, the GOT has pledged to focus the Government’s limited budget more intensively on improving staple crop production. Will the shift in Governmental focus and funding affect Tanzanian coffee exports?

Executive Summary:

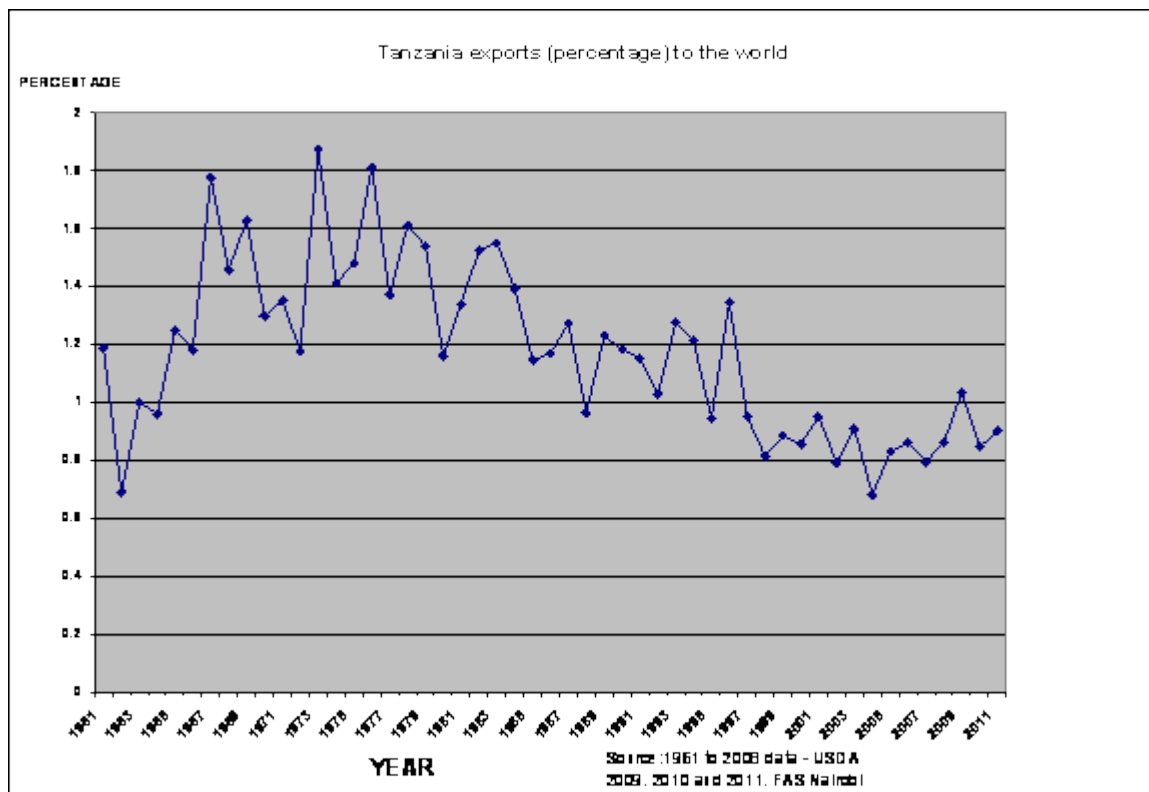
In spite of the GOT's new focus on domestically-eaten food-crops (rice and corn are good examples), increasing world coffee prices and improved meteorological conditions during the early part of the marketing year (MY) (July 2010/June 2011 (MY2011)) will likely mean an increased exportable coffee surplus for MY2011 (810,000 60 Kilo bags) with respect to MY2010 (580,000 60 Kilo bags).

Beyond the MY 2011 crop, the GOT's Kilimo Kwanza focus on food crops may inadvertently help the Tanzanian coffee industry. To the extent that the GOT and its partners in agricultural development improve land tenure laws, infrastructure, irrigation availability, etc. coffee producers will likely also benefit through reduced variable costs and a more consistent production and delivery capability.

Local coffee prices and the prospects for future earnings, heavily influenced by world coffee market prices, will likely continue to drive investment in and the productivity of the Tanzanian coffee sector. In recent years, Tanzanian coffee producers and exporters have apparently positioned their operations to respond to upward-trending world coffee market prices, and appear to have set (the data is still an estimate) an all-time export record during MY 2009. The International Coffee Organization (ICO) composite price has been steadily climbing during calendar year 2007 and reached record levels during the first quarter of calendar year 2008 providing the impetus for Tanzanian coffee producers to maximize production from their currently planted trees.

Tanzanian MY 2010 coffee exports, however, fell to the second lowest level on record. The precipitous drop is reportedly due to poor, drought-related coffee flowering, off-cycle production and an extensive Mealy-bug infestation.

Even considering the very productive MY 2009, Tanzania continues to play a minor role, non-price influencing role (please see the graph immediately below), as a percent of the total world coffee trade.



General Information:

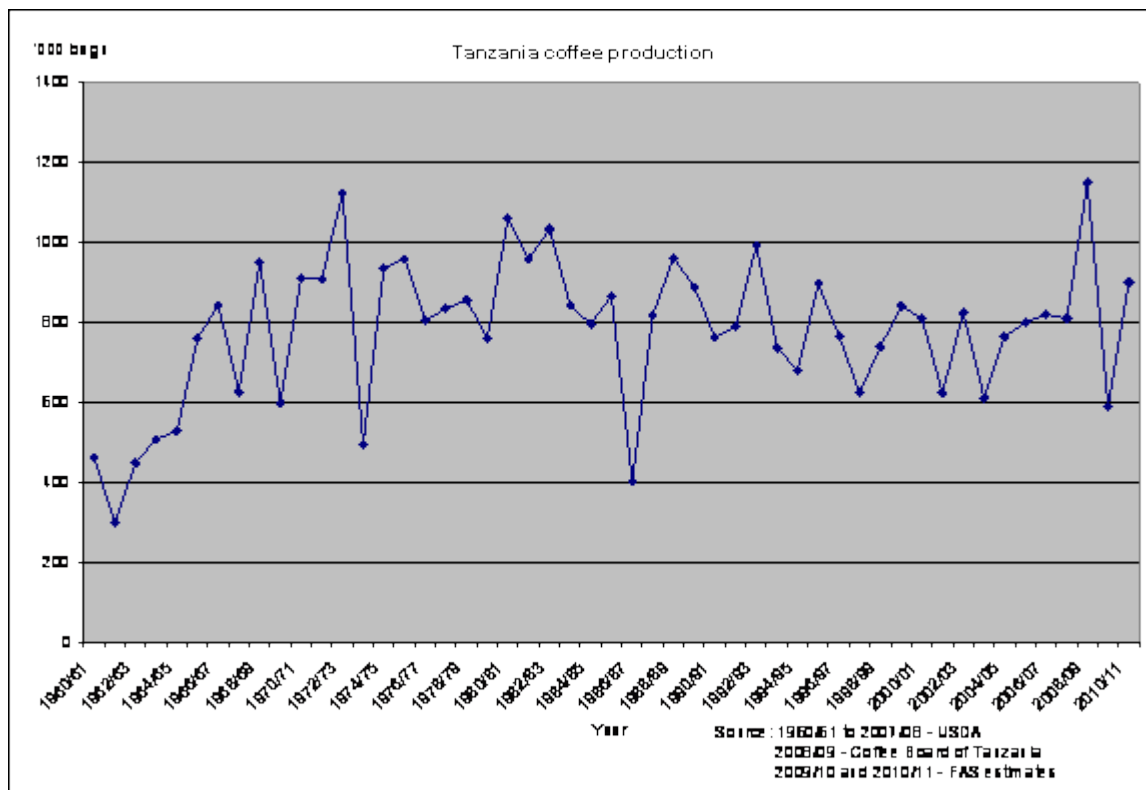
Production:

| Coffee, Green United Republic of Tanzania, | 2008/2009 | | | 2009/2010 | | | 2010/2011 | | |
|---|-----------------------------|----------|----------|-----------------------------|----------|----------|-----------------------------|----------|----------|
| | Market Year Begin: Jul 2008 | | | Market Year Begin: Jul 2009 | | | Market Year Begin: Jul 2010 | | |
| | USDA Official | Old Post | New Post | USDA Official | Old Post | New Post | USDA Official | Old Post | New Post |
| Area Planted | 0 | 0 | 233 | 0 | 0 | 230 | 0 | 0 | 230 |
| Area Harvested | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Bearing Trees | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Non-Bearing Trees | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Tree Population | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Beginning Stocks | 9 | 0 | 219 | 69 | 0 | 136 | 14 | 0 | 64 |
| Arabica Production | 700 | 0 | 636 | 600 | 0 | 380 | 650 | 0 | 560 |
| Robusta Production | 340 | 0 | 513 | 300 | 0 | 210 | 350 | 0 | 340 |
| Other Production | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Production | 1,040 | 0 | 1,149 | 900 | 0 | 590 | 1,000 | 0 | 900 |
| Bean Imports | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Roast & Ground Imports | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Soluble Imports | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Imports | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Supply | 1,049 | 0 | 1,368 | 969 | 0 | 726 | 1,014 | 0 | 964 |

| | | | | | | | | | |
|------------------------|-------|---|-------|-----|---|-----|-------|---|-----|
| Bean Exports | 875 | 0 | 1,142 | 850 | 0 | 570 | 875 | 0 | 800 |
| Rst-Grnd Exp. | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Soluble Exports | 5 | 0 | 10 | 5 | 0 | 10 | 5 | 0 | 10 |
| Total Exports | 880 | 0 | 1,152 | 855 | 0 | 580 | 880 | 0 | 810 |
| Rst,Ground Dom. Consum | 100 | 0 | 70 | 100 | 0 | 72 | 100 | 0 | 75 |
| Soluble Dom. Cons. | 0 | 0 | 10 | 0 | 0 | 10 | 0 | 0 | 10 |
| Domestic Use | 100 | 0 | 80 | 100 | 0 | 82 | 100 | 0 | 85 |
| Ending Stocks | 69 | 0 | 136 | 14 | 0 | 64 | 34 | 0 | 69 |
| Total Distribution | 1,049 | 0 | 1,368 | 969 | 0 | 726 | 1,014 | 0 | 964 |
| Exportable Production | 940 | 0 | 1,069 | 800 | 0 | 508 | 900 | 0 | 815 |

Source: MY2009-Area, Production and Exports from the Tanzania Coffee Board (TCB) MY2010 and 2011-Area, Production and Exports are FAS estimates and forecasts

*The production estimates and forecasts include Arabica coffee harvested from July through December and Robusta, harvested from April through November.



Consumption:

Tanzanians generally prefer drinking tea to coffee. Most Tanzanian coffee consumers boil their roasted and ground coffee, and then strain off the grounds. However, most of the Tanzanian tourist-oriented establishments serve higher-quality coffees, prepared using standard European methods to their visitors.

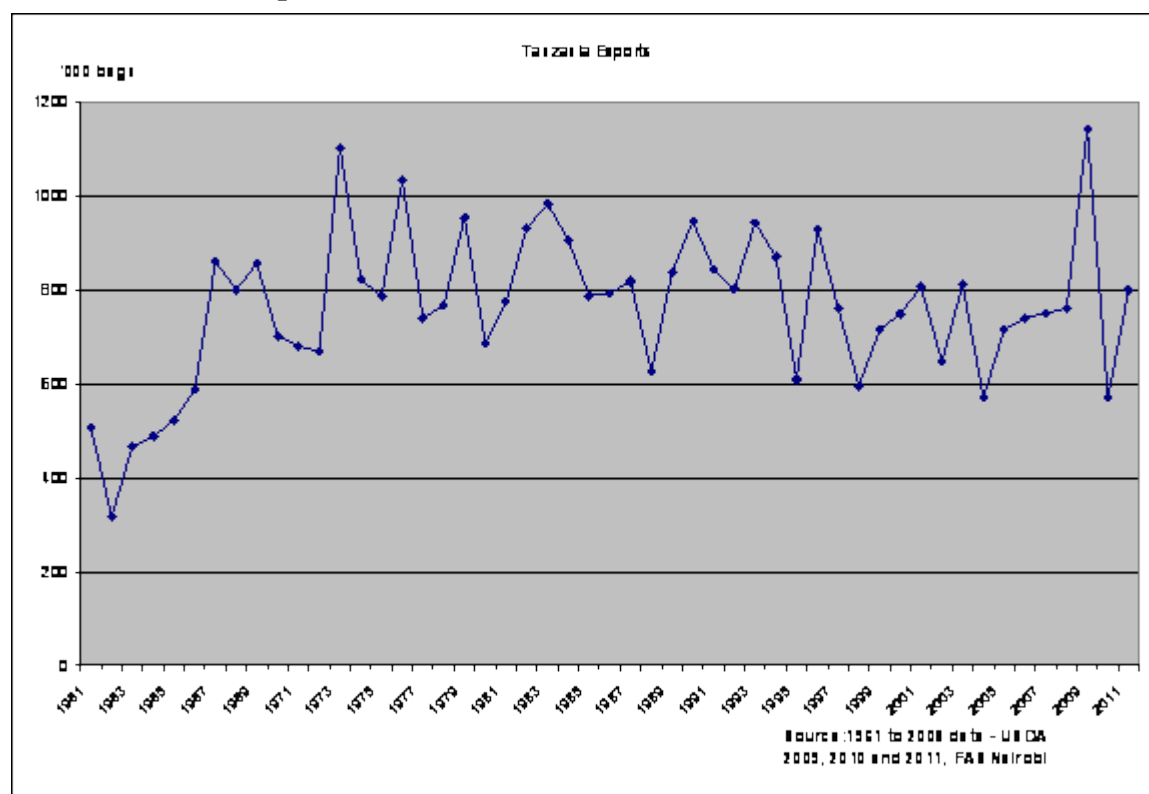
Trade:

Tanzanian Arabica coffee traders export mostly to Germany and Japan, while exporting the Robusta varieties to Italy, Belgium and France. From the record FY 2009 crop, importers in Japan and the United States doubled their purchases, from the previous year, of the record-setting MY 2009 exportable surplus.

| Tanzania Coffee Exports Calendar Years Tons | | | | | |
|--|--------|--------|--------|--------|--------|
| Year | 2005 | 2006 | 2007 | 2008 | 2009 |
| Germany | 13,908 | 9,942 | 17,458 | 11,530 | 10,998 |
| Japan | 10,504 | 15,315 | 6,435 | 11,049 | 20,445 |
| Italy | 4,028 | 6,670 | 4,427 | 7,121 | 10,695 |
| Belgium | 2,789 | 1,463 | 3,847 | 3,711 | 4,159 |
| United States | 2,167 | 1,544 | 3,484 | 3,632 | 6,615 |
| Netherlands | 3,584 | 2,103 | 3,157 | 785 | 1,639 |
| Others | 7,859 | 7,380 | 9,031 | 7,015 | 12,438 |
| Total | 44,839 | 44,417 | 47,839 | 44,843 | 66,989 |

Source: Tanzania Coffee Board

Tanzania Coffee Exports (1961 – 2011)



Tanzanian coffee producers may sell on the GOT-sponsored auction or to private traders. The TCB claims to realize higher prices for growers than they can achieve through sales to traders, even while producer sales directly to traders almost doubled from 9.6 million bags in MY 2008 to 17.5 million bags in MY 2009. Producer sales to both the auction and directly to private traders during MY 2010 will come in much lower, because of the reduced exportable surplus.

Stocks:

The stocks are held within the delivery, transportation and storage system by private sector processors, exporters and distributors.

Policy:

Kilimo Kwanza appears to provide only minimal direct support to Tanzanian coffee producers. Reportedly, starting in MY 2009 under Kilimo Kwanza, the GOT started giving Tanzania Coffee Research Institute (TACRI) about \$345,000 per year for seedling multiplication and sales. TACRI sells the seedlings to producers at the subsidized price of about \$.03 per seedling compared to a reported commercial price of about \$.68 per seedling. During MY 2009, TACRI sold a reported 9 million seedlings and plans to sell 10 million during MY 2010.